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Print vs. the Web: Finding the Ideal Balance

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Terry Swack, Chief Executive Officer, TS Design
Steven Taylor, Executive Vice President, *Boston Globe*
Audience Q&A

Jim Cavuoto: Good afternoon, everyone! I think we're ready to begin this session. This session is called Print vs. the Web: Finding the Ideal Balance. My name is Jim Cavuoto. I'm the editor and Publisher of *MicroPublishing News*. This afternoon, we have a panel discussion with four distinguished experts on the subject of both Web and print-based publishing, and we're going to explore some of the issues involved in trying to decide how we're going to make money in this new publishing medium of the twenty-first century. In addition to discussing some of the economic issues, hopefully, our panel will get into discussions of working with clients, working with ad agencies, working with designers, dealing with workflow issues, etc.

Our panelists today include Mr. Steven Taylor, the Executive Vice President of the *Boston Globe* and also President of Boston Globe Electronic Publishing, boston.com. Also with us is Ms. Terry Swack, the CEO and founder of TS Design, who has many years of experience in magazine publishing as well as Web-based design for magazine publishers. Also with us today are two principals from the design firm of Corey McPherson Nash. Michael McPherson, the partner and Project Director, will speak first, and Ms. Chris Klaehn will present her perspective, more from the Web point of view, as I understand it.

I'm going to give each of the panelists a few moments to give a little bit of background on what their experience is, both in print and Web-based publishing, and, after that, we're going to open it up to some panel discussion. I'm going to moderate, but, hopefully, you all are going to participate, and we're going to make this a town hall type of atmosphere where you can feel free to throw out questions, comments, criticisms, objections, or whatever your two cents is. So let's try to keep it informal. If you can't hear us, please holler. If you want to interrupt, feel free to do so.

Before I bring Steve Taylor on, I'd like to give a couple of quick comments about *MicroPublishing News*. For those of you who haven't seen it, it's a print-based publication, primarily about print and graphic design, but, obviously, we cover issues for graphic designers, repurposing content from print to new media to Web-based publishing. An issue for us for the last several years has been what are we going to do about the Web, both in terms of our editorial content in the magazine itself, and as a publishing medium? Over the last couple of years, we've come to the conclusion that we see the Web as a tool, as a publishing tool and as a productivity tool for us, as print publishers. So if you were to go to our Web site, which is micropubnews.com, you would find not a rehash of the content that's in the print version of the publication but, hopefully, some utilities and resources for advertisers, for readers, for vendors, including the ability to submit information. Designers can submit graphics and images so that they can be profiled in an upcoming issue. Vendors can submit listing information; they can fill out

questionnaires. Advertisers can submit ads, or pick up advertising rate information or media kit information. So we see it more as a productivity tool than in and of itself being a profit center. But, of course, that's subject to reconsideration, almost everyday, at Cygnus Publishing, our parent company. Those are some of the issues that I think all of us in publishing are going to have to deal with. One last thing is to ask, in our audience here, how many magazine publishing professionals do we have? Are there any ad agency people here? How about designers? Okay; that's helpful. With that, I'd like to bring on Steven Taylor, from the *Boston Globe*.

Steven Taylor: Good afternoon. One of my fellow panelists was wondering who everybody else is, but I guess we don't have time to go around the room. Speaking first has both its perils and, perhaps, its advantages. One is I guess I get a shot, right out of the box, to challenge the premise. We at the *Globe* and at boston.com try as hard as we can not to think about print versus the Web, but we try to think about print and the Web, or some kind of collaboration, or anything but "versus," if we can.

A little bit of background. The *Boston Globe*, I hope to those of you who live in this region, shouldn't need a great deal of introduction. We're 127 years and counting and doing as well as we ever have, in many ways, and under as much threat and siege as we've ever been, in many other ways, some of which I'm sure you can imagine, and some of which is caused by the Web. Boston.com has been live for the public since late October 1995 and is presently the largest news and information Web site, focused in and around issues of news and information, in New England. We're proud of it. It's done well with its goals, to date. We're ahead of our milestones, which were planned a little over four years ago, and I don't know whether that's something to look back on with satisfaction, or to just keep running ahead of, scared to death of the world ahead of us. You may have seen both.

I won't spend a lot of time telling you about the two sites. I'll simply say that we try very, very hard to think of ways that our new media presence can enhance our franchise position in media, in the Boston marketplace. One of my colleagues at the *Globe* has often said that we'd like to be the straw that stirs the drink in greater Boston, when it comes to news and information of high quality, and that stands reasonably well for boston.com also. Those of you who have seen it know that boston.com has a great deal more to it than the *Globe*, and we hope, with every passing month, even more still. We have partnerships with outside entities. We have in-house content developers and others who build content native to boston.com, and a lot of additional work in extending the franchise that the paper has beyond what we can do every day with paper and ink. I look forward to the discussion that we're about to have with my colleagues on the panel, and I'll leave it at that for now.

Mr. Cavuoto: Thank you, Steven. I'd next like to ask Terry Swack to come up, from TS Design.

Terry Swack: Thanks for inviting me, Jim, and thanks for coming. I'd like to start this session by plugging Jim and my fellow panelists. First of all, I'll start with this lovely issue of *MicroPublishing News*. If you turn to the second to last page, there's a one-page profile on me and my company, so I don't have to talk too much about it. You can pick up your own copy of *MicroPublishing News* and read for yourself.

Mr. Cavuoto: Thanks, Terry.

Ms. Swack: Sure. I haven't read it yet, so I hope it's a good, flattering portrayal. The other thing I'm going to plug is my Corey McPherson Nash calendar that I've used for 15 years. How many years have you published this thing? I used to get it free when I printed with Reynolds DeWalt, but now we don't print anything anymore, so I have to buy my calendar. You won't find me with a Palm Pilot. I swear by my Corey McPherson Nash calendar.

If you read the article, what it will tell you is that TS Design is not a Web site design firm, per se, but we call ourselves an Internet product design firm, and we specialize in working with businesses to create effective Web-based businesses or Web-based products that actually have a purpose, where users need to get some work done, or the company wants to do business with some people, and, therefore, have to provide both useful usable and compelling products. We work with companies to figure out what those products should be, look deeply at their customers and figure out how they're going to build better relationships with those customers and do business effectively online.

Personally, I wouldn't have positioned myself as a magazine publishing expert, although I started TS Design in 1985 and had many magazine and print clients. In 1994, I repositioned the company and headed down the Internet path, but I can say that my very first Web client was *Datamation*. This was in early 1995, when they were one of the first magazines rushing to get their content on the Web, and our second or third client was *Computer World*, also thinking very fervently about what they were going to do with their content and extend relationships with customers, online.

What I can tell you about as the discussion goes on is the many types of clients that we've had that are looking to repurpose and republish content. Forester Research was a client, several years ago, and, actually, just today, I got an e-mail from them. They've relaunched their E-research site, and we'll talk a little bit about how they're trying to deliver content that's more useful to their customers. 3M is a client that we're working with now. Everyone has publishing needs there, from repurposing product information, to creating new content, etc. So I look forward to the discussion, and, hopefully, we'll get a lot of questions so that this isn't about us telling you about us, but answering questions that you have. Thanks, Jim.

Mr. Cavuoto: Thank you, Terry. It seems to me our panelists have found a loophole in the Seybold policy against plugging your own business and that is plug the other panelists. So, Mike, when you come up, make sure you say something good about the *Boston Globe*. Mike McPherson, from Corey McPherson Nash, is our next panelist, and then he will introduce Chris.

Michael McPherson: Thank you, Jim, for the opportunity to be here. I'm not very used to addressing groups of people where my voice echoes throughout the room, so this is a great opportunity. I think probably the best way to understand the business that Corey McPherson Nash is in is to look at our history. We're actually one of three studios out in Watertown. We're in an old schoolhouse, we've colonized the former St. Patrick's School, and we have one studio on each floor. I think the fact that we've been able to figure out ways to develop new businesses to respond to different markets was a sign that we would be willing to jump in, with both feet, when a new medium came along, like interactive. We call it interactive, because when we started, it was the late great CD-ROM business. As you all know, and have all probably experienced, that market shifted quickly into something strange and wonderful and mysterious to all of us in evolving, as we speak, into the World Wide Web.

We were fortunate to be involved with a new medium, not exactly a new medium, but a new way of thinking about an old business, which is television, about 15 years ago, when we started working with Nickelodeon. Before it was Nickelodeon, we were involved heavily in both the strategy and the design of the relaunch as Nickelodeon, and we continue to work with them, as their business grows and develops in new ways. One of the things that happened was we got really involved in designing for kids, and we eventually launched a studio, called Big Blue Dot, that specializes in the design of things for kids, including interactive Web video packaging and so forth. We also learned, through working with Nickelodeon, that we needed to learn how to do broadcast design, because once we got our designs approved, they wanted to know what they looked like on television, and we said well, we'll get back to you on that, and we learned how to do television. Eventually, we ended up launching another studio called Hat Maker.

About five years ago, I started thinking about how to stay in business, not only this year, but 10 years from now, and what the changes were likely to be, and, even then, the earth was starting to move under our feet. Our two real strengths were in dealing with moving images, dealing with big complex projects and, also, dealing with information design, structuring information. Combine those two skills and you get, basically, interactive media. So I went around and talked to a bunch of people that were actually doing this and realized, right off the bat, that you don't do this at home. You hire people who know what they're doing, and we were able to sign on some people who were actually programmers. I never thought, running a design firm, I would be hiring programmers, but I've got several wonderful people there, now, that are helping us build these products, essentially, as Terry referred to them. I never thought of it quite that way, so thanks for helping out there.

Then, the question becomes how do you maintain your essential core interest in design when you are designing for this medium which is, in many ways, very design unfriendly, if you're used to thinking about point sizes and paper stocks and various other aesthetic issues, and it's hard enough to get the darn things to work? What we did was we enlarged our concept of what design was, and I think that's what every creative person does in this business, whether it's writers, or publishers, or designers, or strategists; they need to enlarge their concept of what these things are to include the Web.

Well, one of the things that's really surprised me is it's not just that our approach to print design influenced our approach to Web design, but it's worked the other way around. We've realized that a lot of things we've learned designing for the Web, where the constraints are so rigorous, have flowed back into the kind of work we do for other types of projects--to inform the design of publications, for example. If you start thinking about the design of the Web as a design of experiences, well, really, creating a brochure is a design of an experience, too, and it changes the way you think about it and, I hope, improves the product.

Another thing we've needed to do is to be able to integrate the brand expressions of companies over a wide range of media, and now including the Web, but also including broadcast, often, or video, and print, and I think that's, in terms of the way we've built our business, really approaching things from an integrated point of view of trying to take on the whole expression of company's brand through all these different media. We still call ourselves, in some sense, a design company, but we're really involved as much with business strategy and positioning as well as design. I think we've sort of backed up into having to become good at that in order to design responsibly for any number of media. I think I'll yield the floor, now.

Chris is declining. I'm saying basically everything she wanted to say about Corey McPherson Nash, cmndesign.com, if you want to know more details. Again, we're here to listen to your point of view. I should say, like Terry, we don't have a great deal of experience directly with publications, but in working with Nickelodeon and other media clients, we cross paths with a lot of people who have very interesting things to say about these topics, and in the course of the discussion, I'm hoping to pass on some of their ideas as well as some of our own. Thank you.

Mr. Cavuoto: Thank you, Michael. Before I open up to free questioning from our audience, I'd like to throw a couple of questions at the panelists myself. Steven, I'd like to start with you and ask you a question about newspaper publishing. In an era where many big cities across the country are losing their second newspaper, in other words, becoming one-newspaper towns, what does the Web offer, in terms of boosting traditional newspaper circulation, or boosting traditional respect for newspaper journalism, across the country?

Mr. Taylor: Cities across this country have been losing their second, third and fourth newspapers for many, many years before Berners Lee got the Web organized on the Internet. Boston is fortunate to be

one of the relatively few remaining major cities in this country where there is considerable newspaper, as well as other media, competition. I think around our industry, right now, many people, especially those who are worried about the near term economics of the business and so forth, and the longer term economics, probably have more to say about what the Web can do to threaten our core economic base of classified advertising and some other forms of our commercial success that support the journalism, and that is a very real worry. On the other hand, there's a panoply of ways in which the Web and new media, generally, can extend the ability to do very high quality in journalism, as well as other kinds of information delivery. I guess it's our view that we're in the business of reaching and growing audiences, in the broadest sense of the word, and, if we do that well, I think we feel that the rest of the economics will follow, though it's not entirely clear, in the short run, exactly how that will work. Perhaps, in the course of the discussion, we can get a little deeper into that.

Mr. Cavuoto: Okay. Would one of the other panelists like to comment?

Speaker: Sure. I don't think that the issues for publishing on the Web are any different than the issues for publishing in print, in that you're still in the business of getting customers in front of advertisers, and that's basically what your challenge is. Now, there's different ways of doing it on the Web than there are in print, and I think that's something that's still being worked out. I'm sure that anybody involved in Web enterprises that are associated with traditional media, whether it's newspapers, or cable television, or any other medium, experiences the impatience of those who pay their salaries to deliver quick results. But the fact is, I think people lose perspective and fail to note that 60% of all magazine launches fail and none of them are profitable, really, even the successful ones, before three to five years, and this medium is only five years old. Given the fact that it's a new medium, it should be given even more slack. So I think that there's a lot of ways to do this wrong, but one real obvious way is to not give it the time to develop in a natural way.

Mr. Cavuoto: Let me follow up and ask, in terms of the economics of print versus Web publishing, what would the panelists recommend for existing print publishers who are currently getting up to 95% of their overall revenue from print-based publishing? What advice would you give, in terms of finding a profitable way to get into Web-based publishing? Would anyone like to tackle that?

Speaker: I think that's the entree into a longer topic. I think it's useful to kind of look at the historical rollout, if you will, of publications on the Web. Back in 1994 and 1995, publishers were looking at and struggling with should we put our current issue on the Web? They won't pay for the magazine if we put up the current issue. Maybe we should put up the last month's issue. They've already paid for that, and we'll give it to them free, or will give it to nonsubscribers. I think, very quickly, it became clear that wasn't going to be the silver bullet to being profitable in publishing. Then, the idea of licensing rolled around. Well, we have content, and it might be useful in other places, so we'll license it to other Web publishers, and you got content aggregators like Newpage and other sites that allowed you to select from different sources and create your own view of content.

I think what's happening now, and I'm not sure, actually, even how common an idea this is yet, is the notion of content syndication, and I think that this is really the next step beyond licensing. Let me say that if you're in a position to license your content, you're doing great, because it means that you're managing it. You're putting it in a database; you're tagging it in some way that's going to be useful to someone else. Obviously, you want to be licensing it to multiple places as well as publishing it in your own way, but this notion of syndication takes it even one step further, and I'll start out with that thought, making an analogy to TV, that television was really good at aggregating audiences. The standard networks are really good. People watch those networks. They aggregate audiences, and they buy content from lots of places that make different types of content. When the Web came about, it was content that was important, but no one was a good audience aggregator.

Well, finally, after some years have gone by, this notion of portals and places really being in destinations, they're getting good at being audience aggregators, and they're struggling a great deal as far as what type of content to put in these portals. The problem is that now they're aggregating audiences, but by putting kind of mass media content at the portals it's not that useful to anybody. You know, it's kind of mass media, kind of thin content. So, now, if we could think about the notion of syndication being the best audience aggregators, or the best content aggregators, and bring those two things together, now you have a really rich experience to offer users, right? You come to places like miningcompany.com; that particular location is aggregating the best of content from multiple sources for those particular customers. When you combine a unique set of content into a unique experience, at this location, now you have something that customers are willing to pay for. I think that's really the horizon that all types of publishers can be looking at, because that's the unique experience that customers are looking for.

Mr. Cavuoto: Okay. Anyone else?

Speaker: Yes. It's a challenge, because the Web is such a democratic medium. Even for online publications such as *Slate*, which has tried the subscription model to generate some revenue, they removed that this month because it's not the way it is. The Web is a medium meant for resource. Librarians were the first ones to really use and utilize this medium. So going into the Web saying how can I go into the Web to make money really is a backward way of entering into this business. You really have to think of it as an integrated way of doing business. We always tell people to watch out for the design firms or any ad agencies that call it their interactive department or their interactive arm. Whatever your process is, no matter what your business is, you have to approach it in an integrated fashion so that the developer is talking to the publisher, the author, the designer, and you're all working together, and your workflow is integrated into the way you do business. And do not expect a return on your investment for a minimum of five years. Just don't expect it, and don't rush it, because this is shaking out, and the dust is settling, and we have a quite a way to go before you're going to get the biggest bang for your buck. Right now, the best model out there is the traditional way, which is advertising.

Mr. Cavuoto: Does everyone on the panel here agree that the model of subscription-based model or fee-based revenue for Web publishing is a losing one? Is there anyone who thinks there that might be another point of view on that?

Mr. McPherson: Well, I just paid \$30 to *Consumer Reports* for a subscription, but I can't think of anyone else I would pay that kind of money to. It was only because I wanted to buy a vacuum cleaner, and I figure for the \$30 bucks it was a good investment.

Mr. Cavuoto: Do you think that will carry over to print-based publishing, or have we seen that effect?

Mr. Taylor: I think possibly we're asking the question the wrong way. The short answer is I don't think the subscription model for Web sites, as we know them today, is likely to be successful soon for very many, but I think that the reason for that is not because people aren't willing to pay for value, but it has to do with the definition of value. I think there's a little bit of basic math that I've recently had explained to me, by people who I'm sure understood it far longer ago than I did, about the value of networks. If we're in the business of one-way dissemination of news and information, the way a newspaper is and many traditional magazines have been, the broadcast method is a kind of linear network value. The telephone network, where you have point-to-point communications, as the number of people on that network goes up, the value in that goes up by N squared. In an AOL-like community interaction, where any subset can talk to any other subset, not just point-to-point, that goes up in a way that's roughly proportional to two to the N . So many years have gone by since the Web got started, and we keep

hearing about the impending doom of AOL, for example. Artwork Online, America On Hold, all these reasons that AOL was going to go down the drain, and what do they do? They keep growing and growing and growing. Something about what Steve Case has done--early reports were what a great marketer. There's something going on about communities of value that's making those people stick with AOL for something. Now, you only have to look at the most recent Web usage reports for the last few months, and it was probably true a year ago as well, to see that the overwhelming majority of high-traffic Web sites are creating their communities of value through pornography, but, clearly, there's people interacting and doing stuff and gaining some kind of value out of that. Those are the people who will pay for whatever the value is that they perceive.

I think what those of us in the traditional publishing business need to learn is that high-quality content, going from editors who package it beautifully and disseminate it to wide audiences, that's valuable, and you have good linear growth potential. The higher the quality, perhaps the steeper the line, but if you can capture this sense of inner activity, whether it be point-to-point, ala e-mail, or telephones before conference calls, or whether it's true groupware, in some fashion, you have a chance of achieving much steeper growth. If the value proposition is there, then eventually subscription may be there as well.

Mr. Cavuoto: Okay. Are there any questions from our audience?

Audience: Steven, could you give us an idea of what sort of revenue you are realizing from the pay-per-view sale of your archival material? What percentage of your overall revenue, that is? Also, while you have a chance to defend yourself, why can't the archives include all of your back issues, not just a subset of them?

Mr. Taylor: Well, there are several bits of that question. I guess, as a public company, I can give you a range of scale without giving you exact numbers. Our archival revenue is in the many hundreds of thousands, just short of \$1,000,000 for the *Globe*. It's bigger than that for some national papers, and it represents a meaningful but modest fraction of our overall revenue online. One hundred percent of our material, which is *Globe* material that we own, is available electronically, going back to right around 1980 is where it gets fractional. Prior to that, it wasn't in digital form. We have the capability to put it online further back, but there's a cost proposition, so we have certain special issues from further back than that online, but not everything.

Mr. Cavuoto: Okay. Anyone else? Yes?

Audience: What is boston.com [inaudible]?

Mr. Taylor: You mean so that you could have something like My Yahoo or a personalization capability--

Audience: You know how you have localized sections [inaudible]?

Mr. Taylor: It is online, and we're thinking about ways in which we may offer premium value propositions to some of our subscribers where you could get access to multiple ones of the regional weeklies from Sunday, if that's what you're talking about.

Audience: Do you have local sections?

Mr. Taylor: Local as in town by town?

Audience: Yes.

Mr. Taylor: We have the beginning of that. It's not particularly robust yet, but we do have a "your town" section with many towns online and more to come. We're working on that.

Female Speaker: For that, you'd want to visit townonline.com. Sorry.

Mr. Taylor: Actually, they're a wonderful site. We just hired their editor. [laughter]

Mr. Cavuoto: I'd like to ask a question of the designers on the panel, a career question for graphic designers entering the market today. Let's just talk about magazine publishing or publishing design. Is there such a thing as print publishing design? Is there a separate entity of Web publishing design? Is it, in fact, a fuzzier boundary between the two, and would you recommend someone entering the publication design field, today, to be thinking primarily in terms of Web, or primarily in terms of print, or both, or try to specialize? What kind of advice would you give, I guess is what I'm asking here? Terry or Michael, do you want to answer this?

Mr. McPherson: Well, I should answer this because I teach. I think most design students, these days, feel somewhat daunted by the Web. But I think that just as many of them--I mean most of them didn't go into graphic design because they wanted to design for the Web. They went into graphic design because they were interested in print, and that includes people who work in our studio, who joined the firm to do print design and suddenly find this new medium. The fact is that some dive in and find it quite nice and interesting and challenging, and some find it a little bit not as sympathetic.

In terms of teaching students, I think that, if it's a good curriculum, you teach basic principles which can be applied to any--the way you think about the world, rather than the way you approach the design of a magazine or a Web site. I think, in general, design should be, is becoming and always has been, really, a field for generalists--for people who don't drill down into a specific topic, but are able to move from topic to topic and know enough in order to leverage their skills in that area. I don't know if that answers the question. I'm totally confused by it myself, as a teacher, as to what to do.

Ms. Swack: Yes, that is a tricky question, and I think what's happened is that I've decided not to use the term "graphic design" anymore, unless I'm specifically talking about visual language, color typography image. But to tangle, actually, with this exact issue, I was asked to start a new part of the organization for the AIGA, the American Institute of Graphic Arts, with Clement Mach. Clement and I are leading an industry advance, if you will, and have kind of tapped people like us, people who started as traditional graphic designers and are now doing interaction design, and there's lots of terms. User experience design, information design, graphic design, all coming together to define what this new discipline of design is. Therefore, once the profession decides what it's doing, the goal would be to then define a curriculum that could be distributed and redefines design education in America. So, not a small job, and it's slow moving. We've met once. We're going to meet again in the spring. We've brought people from cognitive studies, technology, traditional design--the whole gambit--industrial design, trying to come up with vocabulary criteria: a common set of terms, a common set of values about what designers should be striving to do and how to impact technology.

Mr. Cavuoto: What about compensation? Is there a difference? Do you expect a difference? Is it changing?

Chris Klaehn: Absolutely. I think with the Web, as with no other medium, does the skill slap you in the face. If a Web site is poorly designed, you know it. If a Webmaster designed a Web site, you know it. So

a good designer, who does proper information organization, information architecture, and presents it in an attractive usable way, will definitely be paid a heck of a lot more than a designer that knows print and only print; it's just higher demand and less people who know it. So compensation, of course, would be higher.

Mr. Taylor: I think it could be said that in the print business, even before we got to the Web, there was, and in some cases still remains, a certain amount of dysfunction where the visual design people are out of sync with the wordsmiths and vice versa, and, by far, the more valuable person is he or she who is somewhat good at both. That applies equally to the Web, as well as the ability to have some technical skill, as well as real fundamental, as you just said, organization and information delivery skill.

I'm reminded of a couple of events that happened in the last week that some of you may have seen. I'm not an editor, I'm a business guy, but I can see where the future may be taking us when I saw some stories, recently, about the future of heart surgery. A lot of people have heart surgery every year. There was a page in the health and science section of today's *Globe* talking about how having heart surgery is often not very good for your brain, because what happens to the blood during heart surgery turns out to cause strokes and create other mental problems in many patients.

Last week, on broadcast.com, there was a very interesting, interactive live bypass surgery with a beating heart, without the heart-lung machine--no stopped heart. A lot of the problems that were described in this morning's paper wouldn't exist for that particular surgery, because the heart lung-machine was not involved. There was an interactive chat going on, on the Web, full of patients and prospective patients and very sophisticated heart surgeons explaining this new technique, while you were watching, right there on your screen, the operation take place. While one part of the heart is dead still, while the bypass goes on, the rest of it is beating.

You can quite well see that if our editors have had the advantage of knowing what happened last week, they could have incorporated that kind of information which, unfortunately, was missing from this morning's paper, and, similarly, there's the ability to use multimedia in a really intelligent way to tell a very, very complicated, sophisticated story in a succinct fashion. There's a world of possibilities, if the Web is used well, but it includes words, pictures and all sorts of other things.

Ms. Klaehn: Right. The medium has to develop to present the information, but also, we, as users, have to develop to consume the information. We're big fans of Jacob Nielsen, who's a usability guru, and he did a report that said people read 25% slower and retain 25% less when reading online, but that was a couple of years ago. I think the more and more people use the Web, we're getting used to it. I can tell in myself, as a user, we're getting used to consuming larger amounts of information online and printing it out less and less. I think we will evolve, along with the medium.

Mr. Cavuoto: Thank you. Other questions? Yes, sir?

Audience: I have a question for the boston.com site person. I'm curious, as a businessperson, if you can articulate the half a dozen or so [inaudible]?

Mr. Taylor: Well, I guess the first one is that while, like many other papers, we're challenged in print circulation, we have one of the largest growths in readership that we've had in 20 years, due to our online usage, and, certainly, the one is cannibalizing the other, to a degree, but the sum of the two is far greater than the degree of cannibalization. That's beginning to translate itself into meaning advertising revenue, but, as others have said on the panel, it's still early, so we've got to keep working on that, but it's coming, and it's coming pretty well. I don't have any doubt that's there's going to be real ad revenue

on the Web. The issue, as has been the case throughout media for years, is going to be market share. At the turn of the century, there were 13 newspapers in Boston, and we're in a strong position, now, among the few left standing. We don't know whether that will be the case on the Web in the years to come, but we certainly hope so.

Mr. McPherson: I think the main rule about the fear that many media, not just newspapers, have about cannibalizing their other channels is that if you don't cannibalize yourself, someone else will cannibalize you. So I think that it's not a well-placed fear. There are opportunities there.

Mr. Cavuoto: Okay. Other questions from the audience?

Audience: I had more of a comment. I've been writing down a lot of things that have been said on the panel. Mr. McPherson said something about pornography is the only thing that's really selling on the Web--

Mr. McPherson: No, he said that!

Mr. Taylor: Not the only thing, but it's by far the most, if you just look at the traffic volumes.

Audience: I don't think that we need to think about the Web as print versus the Web, because the Web has so many different opportunities that people have not thought of yet. Opportunities such as my father bets online and watches the race from his monitor at home. I've seen people go to the Web to look for wedding gowns and wedding rings. Otherwise, they would have to get up, get in their car, go from store to store to see how they are different, and it's a lot easier to just do it from your home. Photography itself is selling off of the Web. People have just been going through, and they find a Web site with some nice pictures [inaudible].

Also, somebody made the remark that librarians mostly used the Web, or that's how it started, but it really started with mathematicians and physicists where they didn't want to duplicate the things that they were experimenting on. They didn't want to duplicate it at another university, so what they tried to do was keep all the information within the community updated and that helps in a search for that cure for AIDS, as well as other things that they don't want to duplicate. It's time consuming, and it uses some of our greater minds for the duplication.

Personally, I think I do retain less from the Web, because I don't like staring at a computer monitor. It's almost as if I'm staring at a monitor all day and, then, I go home, and I don't want to watch TV. I don't want to stare at any monitor.

[Tape Turn]

... in the graphic area, is going to go away, because people want something to look at, something to flip through. You can have all the digital archives you want, but you can't just go up to the shelf and just pull it out and open it up and look at it; that's never going to go away. The cost might go up.

One of the things that I do see is that you need to have a presence on the Web, so that if you're a magazine or a newspaper, don't shut yourself off and say I'm never going to get on the Web. Use it to the extent that it will help your business, at least having a way for people to find you, if not only to say here's our name, this is our number, call us instead of trying to search through the Web. I don't think that it needs to actually have ad revenues, the Web itself. I mean, I think we need to think in a totally different manner.

In that way also, in graphic schools I don't think that we should be teaching any differently. We need to teach art students skills. They need to know not only how to use watercolor and oil paints and what a color spectrum is and what the vanishing point is, but they also now need to know a little bit about the computer. Most people that are in art will go with--what they're best at is probably where they should go, and that's what will probably bring in the most money, whether it's in a flat format or whether it's on the Web. Those are my comments.

Mr. Cavuoto: Thank you for those comments. Would anyone on the panel like to respond?

Ms. Klaehn: Definitely the Web will not eliminate any other media types, just as television never eliminated radio which never eliminated print. All the other media types will only accentuate the Web, and that's why it's important to approach it in an integrated fashion.

Mr. Cavuoto: Yes? Sir?

Audience: The concept of if you don't cannibalize yourself, somebody else will be cannibalizing you. Can the panel speak upon that to a hypothetical small magazine? Do we keep up with the Joneses or do we just keep our heads in the ground?

Speaker: You mean keep up with the Dow Joneses? [laughter]

Audience: I mean, if you're a content provider or originator, do you have to have a Web site?

Ms. Swack: I would say no. If you decided you want to put that content on many Web sites, and this is the whole licensing and the syndication notion that you can be an excellent content creator, you don't need to be a publisher. You can sell and license and aggregate your content with lots of other people's content. Frankly, it's probably a better thing to do, if you're a small company, rather than spending your own resources doing something that isn't a core competency. Maybe now is the time to choose whether you're core competency is content creation or content publishing. In fact, that is a new business model that's evolving. Content companies are getting started and focusing on specific domains of expertise.

Mr. McPherson: I don't think you would want to do it if you don't have the skills to do it or don't have the commitment to do it. I think if you do it, you ought to do that, and not just take what you are doing and just dump it on to the Web, so to speak. Pathfinder is a good example of a way not to do it, where basically there wasn't--the interactive division of Time-Warner was still reporting to the main media. I think companies like Cox have done a much better job of organizing it so that the interactive group can look at those opportunities and be responsible for succeeding in that arena, rather than reporting to the other sort of traditional media.

Mr. Cavuoto: Thank you. Go ahead, sir.

Audience: Steven, are you aware of any initiatives, besides careerpath.com, whereby newspapers are getting together to share resources on the Web?

Mr. Taylor: Well, yes, actually. There's a fairly prominent one called cars.com, which is the same idea, but it's for automobile advertising, as opposed to employment advertising. If I'm not mistaken, cars.com was the most heavily trafficked Web site, in service of selling automobiles, for the month of December, passing both CarPoint and Autobytel. Cars.com has a focus on used cars, which those of us involved in it hope will be a good thing. The theory there is that auto dealers are making less money than ever on new cars. Those have almost become a lost leader for them, and the Internet is accelerating the ability

for the shopper to find the lowest possible price on brand X of a new car and just get it. So there's more money to be made in service and in used car repair, used car turnover, selling cars that have been leased, that sort of thing.

At any rate, there's a substantial newspaper industry effort, called classified ventures, whose primary product, to date, is cars.com. They also have real estate products, apartment products and other things happening and coming. Yes, in answer to your question, there are at least a couple of other big ones, besides careerpath.com.

Audience: So we often hear about comparisons and contrasts with television, as a medium. Television started out free, essentially, and then we gradually have added things, like pay per view and cable, where people do pay a flat rate fee to get a lot of content. Given that Net access costs people up front, generally, barring people who access it from work or whatever, there's an up-front fee just to get on. What is it going to be, in your guesstimation, that's going to drive people to pay the extra for content or whatever? Or is it just going to take time, given that people are already paying the \$30 a month or whatever, the same that they're paying for cable. Why should they pay more for things on the Net? The second question is how are your companies going to deal with things like Internet ad blockers? Have you made any plans for dealing with that for your online advertising?

Mr. McPherson: I'll take the second question. I think that the future of advertising online is probably not banner ads, but sponsorships; that seems to be the trend. For one thing, the people whose site you're on, you hit a banner ad, you're sent off the site, whereas a sponsorship around a certain content area is much more focused and much more flexible and much more accountable than banner ads. So I think that would solve that.

Mr. Taylor: I would add that I think it's perfectly true that sponsorships are selling more vigorously and successfully than banner ads, though banner ads have been predicted to die for each of the last three years, and they haven't died yet, so we'll see, but I think the question of ad blockers--ads will be blocked when users don't want them. Right now, the single worst thing about banner ads and various kinds of ads on the Web, and not only banners, is that ad-serving technology is pretty miserable and is very frequently the slowest part of a Web page to load, and that needs to change. I hope and assume that it will change. It certainly is a business opportunity crying out for somebody to resolve it.

Think about the things that you're interested in. I'll give you an example. I read the news, and I am very fanatic about reading the news, and I have been for years. I don't pay a great deal of attention to certain kinds of ads in the newspaper because they don't grab me. I'm really just going by them and reading the news. Other parts of advertising in the newspaper, I read vigorously. I'm a sailor. I'm interested in sailing magazines, and, for me, the ads in the sailing magazines are a substantial fraction of the content that I'm interested in. So I think it really depends upon the type of value that a given user is getting and whether a Web site is offering that value, whether it be in the right kind of advertising, the right kind of content, the right kind of mix. Those are variables that will depend on different users' points of view.

Mr. McPherson: I think it could follow the same model, too, as cable television versus network television and the distinction between basic cable and premium cable. You pay a premium so you don't have to get advertisements. You can see a movie all the way through with no breaks, and that's worth, to a lot of people, \$12 extra per month, or whatever it is for HBO.

Audience: Yes. [Inaudible]. I'm editor and publisher of *Knowledge, Inc.* I have a question for the panel about their expectations about bandwidth expanding in the coming years, how fast that's going to happen, and how that's going to change publishing and media delivery and so forth. What are your

thoughts about how that's going to roll out?

Mr. Taylor: I would say, for starters, that it's going to come not quite as soon as some people say, but it will make a big difference when it does, but I would bet you that, by far, the biggest difference will be the ability to have your connection on all the time, at a given bandwidth that's maybe better than a modem, rather than having just more bandwidth, after you get to a certain point. Both are valuable, but, based on my own experiences, I would say that the ability to have the connection on and live, all the time, is probably more important among, say, the advantages of a cable modem than the actual speed itself. Initially, that will, I think, be the big differentiator. Eventually, you'll have both. Things will be very fast and on all the time.

Audience: Yes. Does anyone on the panel see newspapers making money [inaudible] to reach a large audience on a daily basis, but on the Web, people have so many different opportunities [inaudible]. There's no need actually to tie one in with the other [inaudible]. In other words, [inaudible]?

Mr. Cavuoto: Is news enough to carry advertisers to your site?

Mr. Taylor: News alone, maybe not, but in answer to your original question, will newspaper companies who publish intelligently online be making money, I think there's no doubt that a sizable number of them will be, and a lot won't be. It'll be like business has been for many, many years, but, yes, there will be people making money on the Web for sure.

Mr. Cavuoto: I'd like to ask the question from the trade publishing, or business-to-business publishing world that we come from, at Cygnus Publishing, and that has to do with that direct response of print publications versus direct responsive Web-based publishing. Obviously, Web-based publishing has certain inherent advantages, in terms of being able to quantify response, in terms of being able to provide demographic information, etc. Yet, the print trade publishing business, for years, has been driven by "reader service" or bingo leads that come in from an advertisement from the reader, through the magazine, and then back to the advertiser. I'd just be curious to get any of the panelists ideas about the potential merging of print-based reader service versus Web-based direct response. Anybody?

Well, let me ask the question this way. Say you're an agency, and you have a client that comes to you and says I've got this new product. It's a widget and it appeals to the widget industry, and we really need to market this product, to get interest in it, but also to make money selling this product, to fund this product's development, and we've got X amount of budget. Where should we spend that budget? How much of it should be in print? How much of it should be online? Should we look for any strategies of trying to do both jointly? Should we give any preference to print publications that are also on the Web, and if so, how would we use their Web and their print versions together? What advice would you give to a client, I guess, is what I'm trying to get out of you?

Mr. McPherson: I think it's a difficult question to answer in the abstract. I think it would depend a lot on what the product was and whether it would be likely that there would be an online community that would be interested in that product, and if there is, I would think you would definitely want to try that as a strategy, and if it's unlikely, then probably not.

Mr. Taylor: I've got two things to say. I think, first of all, that there's little doubt that the Web, done right, can do better database management far more efficiently and much more quickly than filling out cardboard reader response cards and mailing them in and paying somebody to collate them, but that's just demonstrating a keen grasp of the obvious. On the other hand, I think the answer to the larger question of how do you serve a client's needs who wants to introduce their new widget to the widget

users of the world, you've really got to understand where is that audience.

For example, in our business, there are certain kinds of advertisers for whom the print product is nearly perfect. The people they want to reach are there each and every day, reliably. They buy an ad and things happen for them. Similarly, we did research, recently, on some of our help wanted advertisers, which is one of our most threatened categories in print; it's also our fastest growing category online. Both products are working. We found more than 75 companies, in and around greater Boston and New England, who are advertising on boston.com, and when we checked in with them and researched it, we found out that they had never advertised for employees any other way, except on the Internet, since their company was founded. That tells you something about the rate of founding new companies in this market, but it also tells you something that if you're one of those kind of companies and want one of those kind of employees, then the Web is a pretty good bet. In some other areas, something else is a pretty good bet.

Mr. Cavuoto: What about the concept of paying for advertising on a per inquiry or per hit basis, as opposed to more traditional fees for, whether it's banner advertising or sponsorship, etc.? Do you see any trends there? Do you see any pitfalls, either for the client or for an agency or for a publication?

Mr. Taylor: Well, I wouldn't advise anybody to engage in death spiral pricing, and that's part of where some of the per click or kind of advertising is going, but if you see a business trend going like that, you have to look at more than just the advertising. It could be that the entire profit margin in selling that kind of object is also leaving. As I said earlier, about automobiles, the new car advertising on a per unit or per car basis is likely to be suspect, not because of a problem with the advertising model, but because the core business of profit on cars is leaving. So there'll be institutional advertising from the makers of cars and image advertising and maybe dealership.

Speaker: So, Steven, your caution is directed at the publishers, not at the advertisers?

Mr. Taylor: I think that publishers need to understand their advertiser's business before they can understand, then, how to approach their own business, when it comes to the revenue stream to be expected from those advertisers.

Mr. Cavuoto: Anyone else on this topic? Yes, sir?

Audience: Let me see if I can phrase this in a way that makes sense. Traditional consumer oriented companies, and Procter & Gamble is a great example, a great consumer products company, invest a tremendous amount of time and money in finding out exactly what their buyers want. They identify a market. They are rabid about finding out exactly how to make their product fit the customer's need, or perceived need, and then to create that need, or create the desire. So they pretty much can tell how successful their products are going to be. As you market your Internet products, or whatever you choose to call them, are you doing the same kinds of consumer marketing research and trying to understand really what, in today's world, do families want or do individuals want, or is it just still a shotgun approach?

Let's try this and see if it works? Is there anybody doing that kind of research?

Ms. Swack: That's an excellent question. It seems that in the software world, software tends to be more driven by ideas, by engineers, than need from users. I'm sure you've experienced that yourself in products that you've purchased. We've developed a service called the user experience audit, and we respond to that question exactly for companies who say we really don't know what our customers want.

In fact, we don't really even know who they are. That's pretty typical of businesses that are Web-based businesses that didn't exist in the real world before they started on the Web. They don't really have any idea of who their customers are, beyond some basic demographics that they can construe from Web site statistics and some surveys that have been put up.

I think it's very difficult to get very good information about what type of product would meet the needs of users in focus groups. I think focus groups are a good medium for getting feedback on the need for a product of a certain nature, but for software or Web-based products, I think it's pretty critical to include users in the development process, create many prototypes based on user needs and develop products based on a very specific set of customers. You're right. Not enough companies do that.

Mr. McPherson: I don't think there's any categorical difference between Web-based publishers and any other company creating products. The big well-financed companies will do as much research as they can and minimize the risk of launching a new product, and the less well financed companies will wing it. One of the big differences between the Web and just about any other media is the low cost of entry. If I buy five books from a publisher, I get the same discount that Amazon.com gets, and suddenly I can say I'm Amazon.com II or something, and I'm in the same business that they are, and I'm a direct company, now there's obvious difference in scale here, but it's amazing how low the cost is. If you're trying to start a cable network, you're looking for several million dollars in backing before you can even think about it, or any other medium, even a magazine. So the cost of entry is really low, and you're going to see a lot of people making a lot of bad guesses because it's so cheap to do so. Why not put up a Web site and see if it sells any widgets, and, if it doesn't, do something else?

Ms. Swack: I have to say though, conversely, and, again, I know you've all experienced this, a lot of Web sites, and certainly from technology companies, have been really put up out of arrogance, because they think they know. They think they know what their customers want, when, in fact, they're not their own customers and, in fact, have really never done the work to truly understand what their customers need.

An example of that, not the arrogance piece, is we did some work with Dell, and they're actually great. They're really great about saying they don't know. We know how to sell people computers but, in this case, they didn't know why anyone would use online service and support. What's the incentive for people to come and get their own service and support online? So it was a very interesting problem. How do you define novice, intermediate and advanced computer fixers? Not computer users, but computer fixers. What became even more interesting was is it an oxymoron to say that someone is a novice computer fixer? What's the barrier to entry to fix your own computer, and does it automatically make you an intermediate? So it was a very challenging problem to define who the customers were, because they weren't traditional definitions. It wasn't demographic data. It wasn't even computer use. It was, you know, how do you define a level of computer-fixing expertise, and what's even defined as a problem? That actually was part of the key to solving the problem--what types of people find things to be a problem, and then how do you provide tools and information that give the right set of results to those people at the level in which they perceive a problem? It's very complex work. It's not quantitative, it's qualitative. There has to be a commitment there to saying I don't know. We need to go work with these people.

Mr. Taylor: The only thing I'd add to that is that good research is hugely valuable. Traditional research takes way too long to get answers for the pace at which the world of the Web is evolving, and so what those of us who need research, whether it's we ourselves or our clients, need help finding ways to get it that are fast enough to act on it before a window of first mover advantage or other early opportunity has already opened and shut. Some companies that can do things quickly by leveraging existing strengths, can get terrific advantage in less time than it would take them to design the study, never mind conduct it

and analyze the results. For example, look at what FedEx did by putting a Web front end on an already existing brilliant MIS system that was able to track packages for their internal use. They put www.fedex.com in front of that, outsourced \$8 per transaction to the customer and the customers were happy because it improved customer service, and it all happened in a fraction of the time that it would have cost them to study the problem about whether it was a good idea. That's not to knock research, it's just that we need research faster, as we think about these problems.

Audience: [Inaudible]?

Speaker: I don't know the story. My guess is you could go find out about it in a Harvard Business School case sometime soon, in terms of how or why they did it, but they did have a critical thing that not everybody has, which is a really first-rate underlying MIS system. The Web front end on that, for a company like FedEx, was pretty small potatoes, compared to if they had to build the whole tracking system first.

Audience: I believe FedEx was doing that [inaudible] network before they put it on the Web.

Speaker: Right, but they were smart enough to put it on the Web quick. They were quick enough to seize the opportunity. They didn't spend two years studying it, which is great for them.

Ms. Swack: I also think it wasn't driven by customer need. It was driven by the desire to reduce support cost.

Mr. Taylor: [Inaudible] customers were thrilled, and that's why it was such a win for all parties.

Mr. Cavuoto: Okay. Any last questions from the audience? Yes?

Audience: Do you foresee that the scope of Web sites and the timeliness of the material will turn the underlying newspaper into a derivative product from the Web, as opposed to vice versa?

Mr. Taylor: That's imaginable. I think it will be a long time before that happens, and newspaper reading habits change very slowly and kind of generationally, but it is conceptually imaginable that the fundamental added value--the what do we have that nobody else has, in terms of news gathering, packaging, editing, designing capabilities for our marketplace--could possibly find themselves in some kind of structured, digital new media way in which the newspaper was published from this database, rather than the other way around where you parse the paper and put some of it on the Web and then add things. So that's imaginable, but it's hard to predict about timing.

Mr. Cavuoto: One last question? Go ahead.

Audience: [Inaudible]?

Mr. Taylor: It's already there with WebTV. I don't know a great deal about the audio and DVD industry, but I would predict that DIVIX is a short-lived notion, mechanically. The concept that you'll be able to download the material of your choice, movies, audio, songs, whatever, from the Web, is very likely to somehow supplant that. The same idea that I'm going to rent my music for two days, and if I want to listen to it again, rent it for two more days, that concept may appear somehow, but I wouldn't be running out to buy a DIVIX machine myself, right now. I'm not sure that's long for this world.

Speaker: That's an interesting question. My husband just got a new computer. He works for IBM, so he

got the newest computer, and he's all excited it has a DVD player in the computer, and he also got a new Sony flat screen TV, but nowhere in the city can he find the cable that will hook his computer to the television so he can watch the DVD on the large screen. So I don't think it's going to happen any time soon. He'll have to watch *Blade Runner* on his laptop. What? I'm sure he looked in the box.

Mr. Cavuoto: Well, with that, I'd like to wrap up and thank each of our panelists for participating, and, again, I want to remind anyone who would like to pick up a copy of *MicroPublishing News*, it's a free subscription, to come by our booth, 2115 on the show floor. I'd also like to put in a plug for our East Coast editor, Joe LaPetri, who is here in New England, and edits the Northeast edition, and also was very instrumental in recommending the speakers for today's panel. Thank you, Joe, for your help. Thank you, all, for attending, and thank you, panelists.

[End of Session]